UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

ABBY KATZ, Derivatively on Behalf of Nominal Defendant XEROX HOLDINGS CORPORATION, Plaintiff, vs. STEVEN J. BANDROWCZAK, XAVIER HEISS, JOHN G. BRUNO, TAMI A. ERWIN, PRISCILLA HUNG, SCOTT LETIER, NICHELLE MAYNARD-ELLIOT, EDWARD G. MCLAUGHLIN, JOHN J. ROESE, and AMY SCHWETZ, Defendants, and XEROX HOLDINGS CORPORATION, Nominal Defendant.	Case No.: ________ **VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT** **<u>JURY DEMAND</u>**

Plaintiff Abby Katz ("Plaintiff"), by her undersigned attorneys, brings this stockholder derivative action on behalf of nominal defendant Xerox Holdings Corporation ("Xerox or the "Company") for certain current and former directors' and officers' breaches of their fiduciary duties, violations of the federal securities laws, and other misconduct that has materially damaged the Company and its stockholders. These allegations are made upon personal knowledge with respect to Plaintiff and, as to all other matters, upon information and belief based upon the investigation and analysis by Plaintiff's counsel, including, among other things, a review of the Company's press releases and public filings with the United States Securities and Exchange Commission ("SEC"), corporate governance documents published on the Company's website, a review of the securities fraud class action complaint filed against the Company and its Chief

Executive Officer ("CEO") and Chief Financial Officer ("CFO"), transcripts of the Company's conference calls with financial analysts and investors, published news reports, financial analyst reports, and other publicly available information about the Company. Plaintiff believes that substantial additional evidentiary support will exist for the allegations after a reasonable opportunity for discovery.

I. NATURE OF THE ACTION

1. Xerox purports to provide workplace technology solutions, including hardware, software, and services, to support businesses with a focus on digital transformation and IT services.

2. In October 2023, Xerox announced the launch of a major restructuring initiative dubbed the "Reinvention," billed as a transformation of the Company's operations by focusing on three goals: optimizing operations by adjusting markets and using partners, prioritizing digital and IT services, and streamlining structures for efficiency.

3. On January 3, 2024, Xerox announced the next phase of its "Reinvention," introducing a "business unit operating model," consolidating functions under a "Global Business Services organization," and significantly reducing the Company's workforce by laying off 15% of its employees.

4. The 15% workforce reduction, the third prong of the next phase in the Company's overhaul, led to a disruptive reorganization of the sales force, including new territory assignments and account coverage. The disruption hampered sales productivity, led to a drop in expected sales force effectiveness (as a result of the loss of account knowledge and relationships), and reduced responsiveness to customer inquiries and support requests.

5. Thereafter, the Reinvention initiative was misrepresented as progressing smoothly. The Company's directors and officers concealed that the workforce reduction disrupted sales

operations, leading to productivity declines, weakened customer relationships, and reduced customer responsiveness.

6. Furthermore, the disrupted sales operations caused a slower sell-through of older products, and a delay in the launch of new offerings. The backlog prevented Xerox's capitalization of new product sales, ultimately leading to a sharp decline in sales and revenue. For example, equipment sales declined dropped 25.8% year-over-year in Q2 2024 and dropped a further 12.2% in Q3 2024.

7. On April 23, 2024, the Company reported second quarter financial results , revealing a staggering 12.4% year-over-year revenue decline to $1.50 billion, a net loss of $113 million (down $184 million from the prior year), and a 25.8% year-over-year drop in equipment sales to $290 million. Xerox partially attributed the decline to "geographic simplification," acknowledging that the Reinvention plan caused initial disruptions to sales operations. Despite this, the Company reassured investors of the emerging benefits from its new business model. Following this disclosure, Xerox's stock price fell more than 10%.

8. On October 29, 2024, the Company announced "lower-than-expected improvements in sales force productivity" and "delays in the global launch of two new products," which contributed to "sales underperformance." Financial results for the third quarter showed a 7.5% year-over-year revenue decline to $1.53 billion, a net loss of $1.2 billion (down $1.3 billion from the prior year), and a 12.2% year-over-year drop in equipment sales to $339 million. During the earnings call, Chief Operating Officer ("COO") John Bruno ("Bruno") admitted that product delays stemmed from forecasting errors and that the Company overestimated its ability to sell existing products before transitioning to new offerings.

9. Notwithstanding its admissions, the Company and its directors and officers still concealed the full magnitude of the sales force reorganization and its direct impact on revenue and product delays.

10. Following these disclosures, the Company's stock dropped by more than 17% overnight and a securities fraud class action lawsuit was filed against the Company, CEO Steven J. Bandrowczak ("Bandrowczak") and CFO Xavier Heiss ("Heiss"), subjecting the Company to substantial liability and forcing it to expend substantial sums to defend itself, as well as its directors and officers.

11. Compounding their breaches of fiduciary duties, during the foregoing time period, the Individual Defendants caused Xerox to repurchase approximately 690,183 of its shares at inflated prices for over $10.8 million.

12. As a result of the Individual Defendants' breaches of their fiduciary duty and other misconduct, Xerox has been substantially damaged and its reputation irreparably harmed. Through this action, Plaintiff seeks to recover for the Company its damages from those responsible and to remediate the internal control weaknesses afflicting Xerox.

13. Plaintiff did not make a demand prior to bringing this action because it would be futile. The Company's directors are neither disinterested nor independent. Without this action, Xerox will neither recover its damages nor properly remediate the weaknesses in its internal controls and corporate governance practices and procedures.

II. JURISDICTION AND VENUE

14. This Court has subject-matter jurisdiction pursuant to 28 U.S.C. § 1331 because Plaintiff's claims raise a federal question under Sections 10(b) and 14(a) of the Exchange Act of 1934 ("the Exchange Act"), and SEC Rules 10b-5 and 14a-9 (17 C.F.R. § 240.14a-9) promulgated

thereunder, and for contribution pursuant to Section 21D of the Exchange Act. This Court has supplemental jurisdiction over Plaintiff's state law claims pursuant to 28 U.S.C. § 1367(a).

15. This Court has jurisdiction over each Defendant named herein because each Defendant is either incorporated and maintains operations within this District or is an individual with sufficient minimum contacts with this District so as to make the exercise of jurisdiction by this Court permissible under traditional notions of fair play and substantial justice. This action is not a collusive one to confer jurisdiction on a court of the United States that it would not otherwise have.

16. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1931(b), where the Company is incorporated and conducts substantial business.

III. PARTIES

A. Plaintiff

17. Plaintiff Abby Katz purchased Xerox stock on February 23, 1999, and has continuously held Xerox common stock since then. As such, Plaintiff was a shareholder at the time of the transactions complained of herein.

B. Defendants

1. Nominal Defendant Xerox Holdings Corporation

18. Nominal Defendant Xerox Holdings Corporation is a New York corporation with its principal executive offices at 201 Merritt 7 Norwalk, Connecticut 06851-1056. Xerox shares trade on the Nasdaq stock market ("Nasdaq") under the ticker symbol "XRX."

2. Director Defendants

19. Defendant Bandrowczak is the CEO and a Xerox director since August 2022, and was previously President and Chief Operations Officer since 2018. In 2023, he received the following compensation:

YEAR	SALARY	STOCK AWARDS	OPTIONS AWARDS	NON-EQUITY INCENTIVE PLAN COMPENSATION	ALL OTHER COMPENSATION	TOTAL
2023	$1,000,000	$8,556,086	N/A	$3,278,700	$9,900	$12,844,686

20. Defendant Bruno is President and COO of Xerox since 2022 and a director since May 2024. In 2023, Bruno received the following compensation:

YEAR	SALARY	STOCK AWARDS	OPTIONS AWARDS	NON-EQUITY INCENTIVE PLAN COMPENSATION	ALL OTHER COMPENSATION	TOTAL
2023	$750,000	$4,499,898	N/A	$2,064,188	$31,223	$7,345,309

21. Defendant Tami A. Erwin ("Erwin") is a Xerox director since May 2024, Chair of its Corporate Governance Committee, and a member of its Audit Committee.

22. Defendant Priscilla Hung ("Hung") is a Xerox director since May 2024 and a member of its Corporate Governance and Finance Committee.

23. Defendant Scott Letier ("Letier") is Chair of the Xerox Board since 2023, a director since 2018, Chair of its Finance Committee, and a member of its Corporate Governance Committee. In 2023, Letier received the following compensation:

YEAR	FEES EARNED OR PAID IN CASH	STOCK AWARDS	TOTAL
2023	$105,000	$200,000	$305,000

24. Defendant Nichelle Maynard-Elliot ("Maynard-Elliot") is a Xerox director since 2021, Chair of its Compensation Committee, and a member of its Audit Committee. In 2023, Maynard-Elliot received the following compensation:

YEAR	FEES EARNED OR PAID IN CASH	STOCK AWARDS	TOTAL
2023	$125,000	$200,000	$325,000

25. Defendant Edward G. McLaughlin ("McLaughlin") is a Xerox director since May 2024 and a member of its Compensation Committee and its Corporate Governance Committee.

26. Defendant John J. Roese ("Roese") is a Xerox director since May 2024 and a member of its Finance Committee and its Audit Committee.

27. Defendant Amy Schwetz ("Schwetz") is a Xerox director since May 2024, Chair of its Audit Committee, and member of its Compensation Committee.

28. Defendants Bandrowczak, Bruno, Erwin, Hung, Letier, Maynard-Elliott, MacLaughlin, Roese, and Schwetz are referred to herein as the "Director Defendants."

3. Officer Defendant

29. Defendant Heiss was Xerox's Executive Vice President and CFO from 2020 until his retirement effective January 31, 2025. In 2023, He received the following compensation:

YEAR	SALARY	STOCK AWARDS	OPTIONS AWARDS	NON-EQUITY INCENTIVE PLAN COMPENSATION	ALL OTHER COMPENSATION	TOTAL
2023	$576,258	$3,178,745	N/A	$1,266,464	$208,923	$5,427,795

30. Defendants Bandrowczak, Bruno, Erwin, Heiss, Hung, Letier, Maynard-Elliott, MacLaughlin, Roese, and Schwetz are referred to herein as the "Individual Defendants."

IV. THE INDIVIDUAL DEFENDANTS' DUTIES

31. By reason of their positions as officers and/or directors of the Company, and because of their ability to control the business and corporate affairs of the Company, the Individual Defendants owed and owe the Company and its stockholders fiduciary obligations of loyalty, good faith, due care, and candor, and were and are required to use their utmost ability to control, manage, and oversee the Company in a fair, just, honest, and equitable manner. The Individual Defendants

were and are required to act in furtherance of the best interests of the Company and its stockholders to benefit all stockholders equally and not in furtherance of their own personal interests or benefit.

32. The Individual Defendants, because of their positions of control and authority as directors and/or officers of Xerox, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

33. As senior executive officers and directors of a publicly traded company whose common stock is registered with the SEC and traded on the Nasdaq, the Individual Defendants also owed a duty to ensure the dissemination of accurate, complete, and truthful information concerning Xerox's financial condition, operations, products, internal controls, and business prospects. In addition, the Individual Defendants were and are required to cause the Company to disclose in its regulatory filings with the SEC all material facts so that the market price of the Company's shares would be based upon accurate information. In order to meet these duties, the Individual Defendants were required to exercise reasonable control and supervision over Xerox's management, policies, and internal controls.

34. Each of the Individual Defendants also owed to the Company and its stockholders the duty of loyalty requiring that they prioritize Xerox's interest and that of its stockholders over their own interests and refrain from using their position, influence, or insider knowledge of the affairs of the Company to gain personal advantage.

35. At all times relevant hereto, the Individual Defendants were the agents of each other and Xerox and were always acting within the course and scope of such agency.

36. The Individual Defendants were and are also subject to particularized duties pursuant to specific policies in effect at Xerox.

A. Xerox's Code Of Ethics And Conduct

37. Xerox's Code of Ethics and Conduct (the "Code of Conduct") required the members of the board to focus "on areas of ethical risk, provide guidance to directors to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability."

38. The Code of Conduct obligates honest and ethical conduct and fair dealing:

> Directors shall deal fairly and oversee fair dealing by employees and officers with the Company's directors, officers, employees, customers, suppliers and competitors. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practices.

39. The Code of Conduct requires directors to promote "ethical behavior" and take steps to ensure that the Company "encourages employees to report violations of laws, rules, regulations or the Company's Employee Code of Conduct to appropriate personnel."

40. The Code of Conduct places the onus on directors to comply and "oversee compliance by employees, officers, and other directors with all laws, rules and regulations applicable to the Company, including insider-trading laws."

B. Audit Committee Member Duties

41. The members of the Company's Audit Committee have additional duties to develop and maintain the Company's systems of internal and financial controls mandated by the Audit Committee Charter:

> The Company's management is responsible for preparing the Company's financial statements and, along with the internal auditors, for developing and maintaining systems of internal and financial controls, while the Auditors will assist the Committee and the Board in fulfilling their responsibilities for their review of these financial statements and internal controls. While the Committee has the responsibilities and powers set forth herein, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the quality, accuracy and integrity of the

Company's accounting practices, financial statements and reporting and system of internal control. The Auditors are responsible for performing an audit of the Company's financial statements, and, where applicable, an audit of the Company's internal control over financial reporting. Consequently, in fulfilling its oversight responsibilities, the Committee does not provide any expert or special assurance as to the Company's financial statements or internal controls or any professional certification as to the Auditors' work.

42. The Audit Committee members must also, among other things:

- Review the activities, organization, resources, and qualifications of the Chief Audit Executive and of the internal audit organization.

- At least annually, approve the internal audit plan and review the progress made with respect to executing the approved internal audit plan as well as any modifications made to the plan during the year.

- Meet, at least quarterly, with management, the internal auditors, and the Auditors in separate executive sessions.

- Review with management, the Auditors, and the internal auditors the quality and adequacy of internal controls that could significantly affect the Company's financial statements, including any changes, significant deficiencies or material weaknesses in those controls that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data and any special audit steps adopted in light of significant control deficiencies.

- Review with management, the Auditors, and the internal auditors any fraud, whether or not material, that involves management or other Company employees who have a significant role in the Company's internal controls and/or the preparation of the Company's financial statements.

- Discuss with management, the Auditors and the internal auditors the Company's major financial risk exposures, the Company's policies with respect to risk assessment and risk management and the steps management has taken to monitor and control these exposures.

- Discuss with management the Company's major non-financial risk exposures, including with respect to ethics, litigation, information and cybersecurity, data security and privacy matters, the Company's policies with respect to such risk assessment and risk management and the steps management has taken to monitor and control these exposures.

- Discuss with management and the Auditors the quality and adequacy of the Company's disclosure controls and procedures, and review disclosures in

the Company's periodic reports filed with the SEC regarding such controls and procedures.

- Prior to each quarterly earnings release, discuss with management and the Auditors the earnings press release. Discuss with management the Company's policies with respect to the types of information and type of presentation to be used in earnings releases and in providing financial information and earnings guidance to the public.

- Meet to review and discuss with management and the Auditors the Company's quarterly financial statements, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", prior to filing the same in Quarterly Reports on Form 10-Q.

- Meet to review and discuss with management and the Auditors the annual audited financial statements, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", any changes in accounting policies and practices, financial reporting practices and significant reporting issues, critical accounting policies and significant estimates and judgments made in connection with the preparation of such audited financial statements, prior to filing the same in Annual Reports on Form 10-K.

- Review with, and make a recommendation to, the Board with respect to the inclusion of the audited financial statements, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", in the Company's Annual Report to Shareholders and in the Company's Form 10-K to be filed with the SEC.

- Prepare the report from the Committee required by the rules of the SEC to be included in the Company's annual proxy statement.

- Ensure that the Company's Ethics Policy and Finance Code of Conduct… are in writing and… Review at least annually with the Company's Chief Ethics Officer the process for monitoring compliance with the ethics codes.

- Establish and maintain a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and investigating such matters. Additionally, establish and maintain procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters and investigations of the same.

- The Committee shall review at least quarterly with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Auditors, or the performance of the internal audit function.

V. SUBSTANTIVE ALLEGATIONS

A. Xerox's Reinvention Initiative

43. In October 2023, Xerox launched its comprehensive restructuring "Reinvention" initiative aimed at transforming the Company's operations and strategic direction. The plan focused on three key areas: (1) geographic optimization, which involved selectively maintaining direct operations in certain markets while transitioning to a partner-led distribution model where appropriate; (2) product portfolio refinement, streamlining the company's product portfolio to concentrate on emerging digital and IT services as the core of its business; and (3) operational efficiency improvements, achieved through organizational and structural simplification. On January 3, 2024, Xerox announced the next phase of this transformation, introducing a "business unit operating model," consolidating various groups under a unified "Global Business Services organization," and implementing a 15% workforce reduction, marking a significant step in its operational realignment.

B. Xerox and Its Leadership Assert the Success of the Reinvention Initiative

44. On January 25, 2024, the Company filed with the SEC its Current Report on Form 8-K, attaching thereto a press release announcing fourth quarter and full year 2023 financial results. In the press release, CEO Bandrowczak touted Xerox's Reinvention initiative as having "led 170 basis points of adjusted operating margin expansion" and represented that any decline in equipment sales was due to the "prior year effect of backlog reduction." The Company issued full year 2024 guidance with a decline of 3% to 5% in constant currency for revenue and an adjusted operating margin of at least 7.5%. The Company attributed the decline in the year-over-year

guidance to "headwind from prior-year-backlog reduction" and the "deemphasis of certain non-strategic revenue:"

> The guided year-over-year decline in revenue is attributable to the following: around 200 basis points of headwind from prior year backlog reduction and around 200 basis points from the deemphasis of certain non-strategic revenue, including lower sales of paper. Margin guidance implies adjusted operating income margin improvement of more than 190 basis points, and adjusted operating income improvement of more than $100 million, year-over-year.
>
> The company reiterates its three-year target of $300 million of incremental adjusted operating income above 2023 levels and a return to double-digit adjusted operating income margin by 2026.

45. The Company reiterated that the "prior year effect of backlog reduction drove more than a 25-percentage point year-over-year decline:"

> Equipment sales of $458 million in the fourth quarter 2023 declined 17.3% in actual currency, or 18.3% in constant currency, as compared to the fourth quarter 2022. ***The prior year effect of backlog reduction drove more than a 25- percentage point year-over-year decline.*** Total equipment revenue outpaced equipment installation activity, due to favorable product mix. Installations of High- End color equipment, which were less affected by prior year backlog reductions, increased as compared to fourth quarter 2022, while Entry and Mid offerings declined. Declines in entry primarily reflect prior year reductions to backlog and current year constraints.

46. Xerox also reported its expectation that "2024 pre-tax income and adjusted operating income margins [would] improve in 2024 to approximately 5.1% and at least 7.5%, respectively" with the increase in profit margins driven primarily by "structural simplification actions enabled by our reorganization, including the effects of the workforce reduction decisions announced in January 2024."

47. On February 23, 2024, the Company filed with the SEC its Annual Report on Form 10-K (the "2023 10-K"), repeating its financial results as in the prior Form 8-K. The 2023 10-K

was signed by Defendants Bandrowczak, Heiss, Leitier, and Maynard-Elliott.[1] The 2023 10-K touted the success of the Reinvention initiative, stating that Xerox expected it to "deliver $300 million of annual net adjusted operating income improvement above 2023 levels through 2026" and "more than one-third of that improvement in 2024." They represented that the Reinvention was expected to capture "new, ancillary revenue opportunities over time . . .[with] "more than one-third of that improvement in 2024, due in large part to organizational cost savings associated with the restructuring action that was announced in January 2024."

48. Furthermore, the foregoing directors and officers made the following representation about Xerox's structural cost improvements in the 2023 10-K:

> We continue to implement structural cost improvements to drive higher profitability and total shareholder returns. Our newly formed GBS organization will drive enterprise-wide efficiency and scalability by centrally coordinating internal processes. GBS serves as a catalyst for organizational savings in 2024 and an engine for continuous cost improvement going forward. The optimization of our geographic footprint and product offerings are also expected to generate profit improvements in 2024.

49. Regarding the Company's restructuring programs, these directors and officers further represented that:

> We engage in restructuring actions and other transformation efforts in order to reduce our cost structure and realign it to the changing nature of our business. As part of our efforts to reduce costs, our restructuring actions may also include the offshoring and/or outsourcing of certain operations, services and other functions, as well as reducing our real estate footprint.
>
> Restructuring and related costs, net reflect the following components for the three years ended December 31, 2023, 2022 and 2021:

[1] Defendants Bandrowczak and Heiss certified pursuant to the Sarbanes Oxley Act of 2002 ("SOX"), that the 2023 10-K fully complied with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the 2023 10-K fairly presented, in all material respects, the financial condition and results of operations of the Company.

	Year Ended December 31,		
	2023	2022	2021
Restructuring charges, net	$ 114	$ 68	$ 18
Asset impairment charges, net	32	(6)	9
Related costs, net	21	3	11
Total Restructuring and related costs, net	$ 167	$ 65	$ 38

50. These directors and officers also represented the prime risks associated with the Reinvention initiative:

> Our Reinvention entails the implementation of a new business-unit led operating model and the central coordination of internal processes through a new Global Business Services organization.
>
> As part of our efforts to streamline operations and reduce costs, we have offshored and outsourced certain of our operations, services and other functions through arrangements with third parties (e.g., TCS and HCL) and we will continue to evaluate additional offshoring or outsourcing possibilities in the future. ***If our outsourcing partners fail to perform their obligations in a timely manner or at satisfactory quality levels or if we are unable to attract or retain sufficient personnel with the necessary skill sets to meet our offshoring or outsourcing needs, the quality of our services, products, and operations, as well as our reputation, could suffer.*** In addition, much of our offshoring takes place in developing countries and as a result may also be subject to geopolitical uncertainty. Diminished service quality from offshoring and outsourcing could have an adverse material impact to our operating results due to service interruptions and negative customer reactions.

C. The Company Reports A Year-Over-Year Decline In Equipment Sales And Revenues In The First Half Of 2024 Driven By "Geographic Simplification"

51. Xerox's revenue has been on a downward trajectory since implementing its Reinvention restructuring. Annual revenue fell to $6.22 billion in 2024 – a nearly 10% drop from $6.89 billion in 2023. This decline erased a modest revenue gain from the prior year and reflected both secular headwinds and short-term disruption from the Company's reorganization. Similarly, profitability eroded: Xerox posted a pre-tax loss of $1.21 billion in 2024, versus almost break-even status (a $28 million loss) in 2023, attributed to a $1 billion goodwill impairment charge taken in 2024.

52. On April 23, 2024, the Company filed with the SEC a Current Report on Form 8-K, attaching its first quarter 2024 financial results. In the press release, the Company reported its "most intense periods of structural change," resulting in a more than 12% decline in revenue year-over-year and a net loss of $113 million:

Q1 2024

- Revenue of $1.50 billion, down 12.4 percent, or 13.2 percent in constant currency.
- GAAP net loss of $(113) million, or $(0.94) per share, a decrease of $184 million or $1.37 per share, year-over-year, respectively. This quarter includes after-tax Project Reinvention related charges of $100 million, or $0.80 per share.
- Adjusted net income of $11 million, or $0.06 per share, declined by $71 million or $0.43 per share, year-over-year, respectively.
- Adjusted operating margin of 2.2 percent, 470 basis points lower year-over-year.
- Operating cash flow of $(79) million, lower by $157 million year-over-year.
- Free cash flow of $(89) million, lower by $159 million year-over-year.

53. The Company acknowledged that "geographic simplification" stemming from the structural overhaul drove the decline, but reaffirmed its 2024 guidance, reporting that the decline was largely due to headwinds "from prior-year backlog reduction" and the "deemphasis of certain non-strategic revenue":

2024 Guidance

- Revenue: decline of 3% to 5% in constant currency
- Adjusted Operating Margin: at least 7.5%
- Free cash flow: at least $600 million

Guidance assumes stable Print demand, growth in Digital and IT Services and neutral macroeconomic conditions. The guided year-over-year decline in revenue is attributable to the following: ***around 200 basis points of headwind from prior-year backlog reduction and around 200 basis points from the deemphasis of certain non-strategic revenue, including lower sales of paper.***

> The company maintains its three-year target of $300 million of incremental adjusted operating income above 2023 levels and a return to double-digit adjusted operating income margin by 2026.
>
> ***
>
> Equipment sales of $290 million in the first quarter 2024 declined 25.8% in actual currency, or 26.3% in constant currency, as compared to the first quarter 2023. ***The prior year effect of backlog reduction and geographic simplification drove a 16-percentage point year-over-year decline.***
>
> ***
>
> We continue to expect a total Revenue decline of 3% to 5% in constant currency in 2024, ***which includes effects of prior year backlog reductions and the exit of non-strategic businesses.***

54. The press release further reported that: "We expect 2024 pre-tax income and adjusted operating income margins to improve in 2024 to approximately 5.1% and at least 7.5%, respectively. These increases will primarily be driven by structural simplification actions enabled by our reorganization, including the effects of the workforce reduction decisions announced in January 2024.

55. On May 1, 2024, the Company filed with the SEC its Quarterly Report on Form 10-Q ("1Q24 10-Q").[2] The Company represented full year revenue decline of 3% to 5% due to the "effects of prior year backlog reductions and the exit of non-strategic businesses" and a year-over-year decline in equipment sales due to "higher backlog reductions in the prior year quarter":

> We continue to expect a total Revenue decline of 3% to 5% in constant currency in 2024 ***which includes effects of prior year backlog reductions and the exit of non-strategic businesses***. . . . In addition, we expect pre-tax income and adjusted operating income margins to improve in 2024, primarily driven by structural simplification actions enabled by our reorganization, including the effects of the workforce reduction decisions announced in January 2024.

[2] Defendants Bandrowczak and Heiss certified pursuant to SOX that the 1Q24 10-Q fully complied with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the 1Q24 10-Q fairly presented, in all material respects, the financial condition and results of operations of the Company.

***

Equipment sales revenue decreased 26.0% during the first quarter 2024 as compared to first quarter 2023, ***reflecting higher backlog reductions in the prior-year quarter.*** Backlog declined sequentially by approximately $2 million in the first quarter 2024 as compared to approximately $70 million in the first quarter 2023. Revenue declined across all product groups.

56. Regarding the Company's restructuring programs, the 1Q24 10-Q reported:

In connection with our Reinvention and other transformative programs, we engage in restructuring actions in order to reduce our cost structure and realign it to the changing nature of our business. As part of our efforts to reduce costs, our restructuring actions may also include the off-shoring and/or outsourcing of certain operations, services and other functions, exit from certain product lines and geographies, as well as reducing our real estate footprint.

Restructuring and related costs, net reflect the following components:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Restructuring charges, net	$ 5	$ 1
Asset impairment charges, net	26	—
Related costs, net	8	1
Total Restructuring and related costs, net	$ 39	$ 2

57. On July 25, 2024, the Company filed with the SEC a Current Report on Form 8-K, attaching a press release reporting the Company's financial results for the second quarter of 2024, stating:

Second-Quarter Key Financial Results

(in millions, except per share data)	Q2 2024	Q2 2023	B/(W) YOY	% Change B/(W) YOY
Revenue	**$1,578**	**$1,754**	**$(176)**	**(10.0)% AC (9.6)% CC[1]**
Gross Profit	**$520**	**$597**	**$(77)**	(12.9)%
Gross Margin	33.0%	34.0%	(100) bps	
RD&E %	3.2%	3.2%	—	
SAG %	24.9%	24.7%	(20) bps	
Pre-Tax Income (Loss)[2]	**$25**	**$(89)**	**$114**	**NM**
Pre-Tax Income (Loss) Margin[2]	**1.6%**	**(5.1)%**	670 bps	
Gross Profit - Adjusted[1]	$528	$597	$(69)	(11.6)%
Gross Margin - Adjusted[1]	33.5%	34.0%	(50) bps	
Operating Income - Adjusted[1]	$85	$107	$(22)	(20.6)%
Operating Income Margin - Adjusted[1]	5.4%	6.1%	(70) bps	
GAAP Diluted Earnings (Loss) per Share[2]	**$0.11**	**$(0.41)**	**$0.52**	**NM**
Diluted Earnings Per Share - Adjusted[1]	$0.29	$0.44	$(0.15)	(34.1)%

58. In addition, the Company reported progress "in the design, planning and implementation of structural changes that will drive the Company's multi-year Reinvention strategy," stating:

> ***The intended benefits of the new operating model implemented in the first quarter 2024 are materializing in financial results.*** In second quarter 2024, adjusted operating income margin, cash flow and revenue trajectory all improved sequentially. ***These improvements, and ongoing enhancements to management processes, further our confidence that we have the right strategy in place to deliver our targeted $300 million of improvement in adjusted operating income by the end of 2026.***
>
> Equipment sales of $356 million in the second quarter 2024 declined 15.2% in actual currency, or 14.9% in constant currency, as compared to the second quarter 2023. ***The prior year effect of backlog reduction and geographic simplification drove an approximate 14-percentage point year-over-year decline.*** Total equipment revenue declines outpaced equipment installation activity, due to unfavorable product mix. Revenue declined across all product groups, primarily due to the effects of backlog fluctuations in the current and prior year. Post-sale revenue of $1.2 billion declined 8.4% in actual currency, or 7.9% in constant currency, as compared to second quarter 2023. The decline was primarily due to lower outsourcing and service revenue, reductions in non-strategic, lower margin IT endpoint device placements and paper sales, ***as well as the effects of geographic simplification.*** Excluding non-strategic effects, post sale revenue decreased mid-single digits.

59. Defendant Bandrowczak further represented that the Company's "comprehensive and strategic operating changes implemented in Q1 ***caused a short period of disruption but are delivering the intended improvements in financial results***," and emphasized that momentum "in orders in orders, enhanced sales operations and new product initiatives are expected to drive a return to revenue growth in the second half of the year." Bandrowczak also represented:

> Q2 results give us confidence Xerox's new operating model, which is more streamlined and closely aligned to the economic buyers of our products and services, is enabling the operating improvements required to deliver an incremental $300 million of adjusted operating income over 2023 levels and a return to double-digit adjusted operating income margin by 2026.

60. The Company updated its 2024 revenue guidance from a decline of 3% to 5% to a decline of 5% to 6% in constant currency, its adjusted operating margin guidance from at least

7.5% to at least 6.5%, and its free cash flow guidance from at least $600 million to at least $550 million. The Company further noted that the adjustment in revenue guidance and in the operating margin guidance was directly tied to the Reinvention Initiative:

> 2024 revenue guidance was lowered to reflect additional reductions in non-strategic revenue, ***including those associated with incremental Reinvention actions.*** Adjusted operating income margin guidance was lowered primarily to reflect the reduction in revenue guidance, as well as higher-than-expected freight and product costs. Free cash flow guidance was lowered to reflect lower revenue and adjusted operating income margin guidance.
>
> Guidance assumes growing Print demand and growth in Digital and IT Services in the second half of the year. The expected year-over-year decline in full-year revenue is attributable to the following: ***around 200 basis points of headwind from prior-year backlog reduction and 350 basis points from a reduction in certain non-strategic revenue, including lower sales of paper, financing income and Reinvention actions.*** Adjusted Operating Margin guidance implies full-year improvement of at least 90 basis points, primarily reflecting structural reductions in operating expense associated with our Reinvention.
>
> The company maintains its three-year target of $300 million of incremental adjusted operating income above 2023 levels and a return to double-digit adjusted operating income margin by the end of 2026.

61. On August 1, 2024, the Company filed with the SEC its Quarterly Report on Form 10-Q (the "2Q24 10-Q")[3] touting the benefits of the Company's new operating model: "The intended benefits of the new operating model implemented in the first quarter 2024 are materializing in financial results. In second quarter 2024, adjusted operating income margin, cash flow and revenue trajectory all improved sequentially." The Company represented that the equipment sales decline was "due to the prior year effect of backlog reduction and geographic simplification":

[3] Defendants Bandrowczak and Heiss certified pursuant to SOX that the 2Q24 10-Q fully complied with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in the 2Q24 10-Q fairly presented, in all material respects, the financial condition and results of operations of the Company.

> Equipment sales of $356 million in the second quarter 2024 declined 15.2% in actual currency, or 14.9% in constant currency, as compared to the second quarter 2023. ***The prior year effect of backlog reduction and geographic simplification drove an approximate 14-percentage point year-over-year decline.*** Total equipment revenue declines outpaced equipment installation activity, due to unfavorable product mix. ***Revenue declined across all product groups, primarily due to the effects of backlog fluctuations in the current and prior year.*** Post-sale revenue of $1.2 billion declined 8.4% in actual currency, or 7.9% in constant currency, as compared to second quarter 2023. The decline was primarily due to lower outsourcing and service revenue, reductions in non-strategic, lower margin IT endpoint device placements and paper sales, as well as the effects of geographic simplification. Excluding non-strategic effects, post sale revenue declined mid-single digits.

62. Further, the Company confirmed the adjusted guidance and reported that: "Core business revenue in 2024 is expected to be roughly flat year-over-year in constant currency consistent with our prior outlook, reflecting growing demand for our products and services in the second half of the year."

63. The 2Q24 10-Q contained the following note regarding the Company's restructuring programs:

> In connection with our Reinvention and other transformative programs, we engage in restructuring actions in order to reduce our cost structure and realign it to the changing nature of our business. As part of our efforts to reduce costs, our restructuring actions may also include the off-shoring and/or outsourcing of certain operations, services and other functions, exit from certain product lines and geographies, as well as reducing our real estate footprint.
>
> Restructuring and related costs, net reflect the following components:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Restructuring charges, net	$ 5	$ 1	$ 10	$ 2
Asset impairment charges, net	(2)	12	24	12
Related costs, net	9	10	17	11
Total Restructuring and related costs, net	$ 12	$ 23	$ 51	$ 25

D. The Company Reports A Notable Sales Underperformance And A Delay In Product Release

64. The Reinvention plan also resulted in a notable downturn in sales across Xerox's product lines. In 2023, each quarter saw year-over-year revenue declines – for example, Q3 2023 sales were $1.65 billion, down nearly 6% from the prior year. The trend continued into 2024, with Q4 2024 revenue of $1.61 billion marking an 8.6% drop year-over-year. Equipment sales were especially weak in Q4 2024. According to an Evercore ISI analyst, Xerox's printing equipment sales declined double-digits year-over-year, partly due to intensified competition in certain markets. Hence, the Company's reorganizing resulted in lost deals to rivals.

65. In addition, Xerox had several new hardware products and services in its development pipeline, but the organizational turmoil and cost-cutting led to timing slips for certain releases. Product launch delays in late 2023 adversely impacted equipment sales, as several planned rollouts did not occur on schedule, leaving Xerox without new offerings in the market and resulting in softer sales until the delayed products were introduced.

66. On October 29, 2024, the Company filed with the SEC a Current Report on Form 8-K and, attaching a press release announcing third quarter financial results, including a 7.5% year-over-year decline in quarterly revenue, a net loss of -$1.2 billion (down $1.3 billion year-over-year), and a 12.2% decline in equipment sales to $229 million:

Q3 2024

- Revenue of $1.53 billion, down 7.5 percent, or 7.3 percent in constant currency.
- GAAP net (loss) of $(1.2) billion, or $(9.71) per share, a decrease of $1.3 billion or $9.99 per share, year-over-year, respectively. This quarter includes an after-tax non-cash goodwill impairment charge of $1.0 billion, or $8.16 per share and a charge to tax expense related to the establishment of a valuation allowance of $161 million, or $1.29 per share.

***

> Equipment sales of $339 million in the third quarter 2024 declined 12.2% in actual and constant currency, as compared to the third quarter 2023. The effects of fluctuations in backlog in the prior and current years and other Reinvention actions drove approximately 4.0-percentage points of the year-over-year decline.

67. The Company noted that the remainder of the equipment sales decline "primarily reflects the delayed global launch of two new products, lower-than-expected improvements in sales productivity. . ."

68. The Company also announced a reduction in adjusted operating income guidance to reflect "the effects of gross profit declines associated with the decline in revenue guidance, and to a lesser extent, delays in the implementation of certain cost reduction initiatives to 2025."

69. The Company also reported another downward adjustment in its 2024 guidance:

> **2024 Guidance Update**
>
> - Revenue: from a decline of 5% to 6% in constant currency to a decline of around 10% in constant currency.
> - Adjusted Operating Margin: from at least 6.5% to around 5.0%.
> - Free cash flow: from at least $550 million to a range of $450 to $500 million.
>
> 2024 guidance excludes any impact from the pending acquisition of ITsavvy. Revenue guidance was lowered to reflect additional reductions in non-strategic revenue and lower-than-expected equipment sales. Adjusted operating income margin guidance was lowered primarily to reflect the reduction in revenue guidance. Free cash flow guidance was lowered to reflect the after-tax impact of lower adjusted operating income margin guidance.
>
> ***Due to lower-than-expected revenue in 2024, we no longer expect to grow adjusted operating income $300 million above 2023 levels by 2026.*** However, we continue to expect growth in adjusted operating income and a return to double-digit adjusted operating income margin over the course of our Reinvention.

70. On the conference call with financial investors and analysts that same day, Defendant Bruno reported that the product delay was due to a "forecasting issue more than

anything else" and that the Company suffered from excess old inventory, which hampered the launch of new products:

> [L]et me start with the product transition issue first. It's a forecasting issue more than anything else. When we look at carried inventory of predecessor products, the timing and the release of new products and the forecasting of that mix, there are a lot of intricacies between the demand to supply signaling. We had higher expectations that we were going to flush through the older product, and then the timing of the release of the new product not only to our direct business but also into the channels. As that started to get [indiscernible] through the quarter, we would have a decision to make, and the decision--clearly what we don't want to do is leave a lot of working capital and inventory behind. We want to sell through and make those transitions.

71. The Company's stock fell 17.49% or $1.79 to close at $8.49 per share on October 29, 2024 – near multi-year lows.

72. In addition, analysts and credit rating agencies changed their tune to Xerox's Reinvention. In mid-2024, S&P Global downgraded Xerox's credit rating to BB– (below investment grade) and revised its outlook to negative, citing "considerable execution risks" with the Reinvention transformation program amid a declining core business. S&P warned that if the strategy fails to at least stabilize revenue longer-term, Xerox's credit metrics would likely deteriorate further. Equity analysts likewise tempered the expectations for Xerox. Citi, maintained its "Sell" rating on the Company's stock, noting it faces multiple hurdles on its path back to higher profitability.

E. The Reinvention's Workforce Reduction Impact on Xerox

73. The Reinvention plan prong to reduce the Company's workforce has impacted its operations. In January 2024, Xerox announced it would cut 15% of its global workforce (around 3,000 jobs) as part of the Reinvention plan, on top of earlier headcount cuts that reduced employee count ~12% during 2022 (from ~23,300 to 20,500). By early 2025, after the latest round of

workforce cuts, Xerox's total headcount was down to about 16,500 employees, a dramatic reduction from roughly 20,100 the prior year.

74. While these layoffs were portrayed to improve the Company's efficiency and lower its costs, they undermined Xerox's sales and service capabilities because a large portion of the cuts affected the sales force and customer-facing staff. The company reorganized its sales structure, in some cases consolidating territories and moving smaller accounts to channel partners instead of direct coverage. This upheaval disrupted account relationships and workflows. During 2024, Xerox executives acknowledged that sales productivity suffered amid the Reinvention plan, and that reassignments of accounts slowed down sales cycles.

75. As a result, analysts at Citi revised down their price target for Xerox from $10.50 to $7.00 , and kept a Sell rating on the stock, citing the Company's restructuring, coupled with delays in product launches and issues within Xerox's salesforce.

76. With fewer direct sales reps on the ground, some customers experienced changes in their account manager or service contacts, which competitors eagerly took advantage of. HP's CEO Enrique Lores hinted at this dynamic, noting HP was gaining print market share while "rival Xerox… [was] in the middle of deep restructuring" that experts say caused Xerox to lose business.

77. As part of the Reinvention, Xerox also restructured its customer engagement, disruptin customer relationships. Under the new operating model, Xerox's Core Print business emphasizes sales through partners/dealers rather than direct in-house teams for many regions and SMB clients. This meant that many accounts previously handled by Xerox employees were transitioned to external channel partners or consolidated under remaining account managers. Territory boundaries were redrawn to align with the leaner salesforce. In some cases, long-time

customers saw a change in their point of contact or had to adjust to ordering through a reseller instead of directly from Xerox.

78. Such changes caused service levels to dip. Industry observers noted that Xerox's restructuring "broke trust" with some partners and customers through abrupt changes. For example, Xerox suddenly discontinued its "e-concierge" supplies program at the end of 2023 – a program that automated supplies ordering through channel partners – which "was disappointing for both partners and end clients," according to one Xerox reseller, who said it "broke trust and faith in Xerox" for those users.

79. Competitors have been quick to capitalize: when Xerox faltered in 2023, HP saw an opening and exceeded expectations in printing with Evercore ISI analyst Amit Daryanani, attributing it at least in part to Xerox's struggles. In a client note he said: "On print, results from peers such as Xerox came in below expectations, with Xerox's printing equipment sales declining double-digits year over year due in part to an increase in competitive activity in certain markets…"

F. A Securities Fraud Class Action Lawsuit Is Brought Against Xerox

80. On November 19, 2024, a securities fraud class action lawsuit was filed in the United States District Court for the Southern District of New York against Xerox, Bandrowczak, and Heiss, captioned *Wilson v. Xerox Holdings Corporation et al.*, No. 1:24-cv-08809-DEH (S.D.N.Y.) (the "Securities Fraud Class Action"), alleging violations of Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5 promulgated thereunder, on behalf of persons or entities who purchased or otherwise acquired Xerox securities between January 25, 2024 and October 28, 2024. The Securities Fraud Class Action alleges that the Company and Bandrowczak and Heiss made false and/or misleading statements and/or failed to disclose that: (1) after a large workforce reduction, the Company's salesforce was reorganized with new territory assignments and account coverage; (2) as a result, the Company's salesforce productivity was disrupted; (3) as a result, the

Company had a lower rate of sell-through of older products; (4) the difficulties in flushing out older product would delay the launch of key products; (5) as a result, Xerox was likely to experience lower sales and revenue; and (6) as a result of the foregoing, the named defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

G. Misrepresentations In Xerox's Proxy Statement

81. On April 11, 2024, the Company filed its 2024 Proxy Statement with the SEC soliciting shareholder votes to, among other things, elect the Director Defendants to the Board, approve 2023 executive compensation, and approve the Company's 2024 Equity and Performance Incentive Plan ("EPI Plan"). The Proxy Statement was authorized by the Board and signed by Defendants Bandrowczak and Letier.

82. The 2024 Proxy Statement represents that the Board oversees and monitors the Company's risk exposures:

> Our Board has ultimate oversight responsibility for our Enterprise Risk Management (ERM) process. The Board oversees our ERM process through the Audit Committee, which previews the ERM assessment and process for subsequent review by the Board. Our ERM process is designed to strengthen our risk-management capability and to assess, monitor, and manage all categories of business risk, including strategic, operational, compliance, and financial reporting. The Company's Chief Financial Officer (CFO) is responsible for the Company's ERM function through the Enterprise Risk Steering Committee, which includes the majority of the direct reports to the CEO, as well as our Chief Information Officer, our Controller, and our Chief Audit Executive. The Enterprise Risk Steering Committee inspects risk mitigation plans and progress, identifies and addresses emerging risks, and shares mitigation best practices across the Company. Additionally, to ensure that ERM is integrated with our business management, the Company's Management Committee, the Business Ethics and Compliance Office, and various internal control committees monitor risk exposure and the effectiveness of how we manage these risks.

83. The 2024 Proxy Statement represents that the Audit Committee is engaged in vigorous oversight over risks to the Company: "In addition to its responsibility to oversee the

overall ERM process, the Audit Committee focuses on financial risk, including risks associated with internal control, audit, financial reporting, and disclosure matters, and also on oversight of our Ethics, Litigation, Information, and Cyber Security risk mitigation plans and progress."

84. The 2024 Proxy Statement represents that the Company is "committed to the highest standards of business integrity and corporate governance."

85. The foregoing statements in the 2024 Proxy Statement were false and misleading and omitted material information. Contrary to the representations made in the Proxy Statement, the Board was required but failed to: (1) implement and maintain an effective system of internal controls to ensure that the Company was complying with all laws, rules, and regulations governing Xerox's core operations and making truthful, accurate, and complete statements regarding its core operations, financial condition, and business prospects; (2) effectively oversee and monitor the material risks facing the Company; and (3) investigate and take action when presented with red flags regarding misconduct or the lack of internal controls.

86. On May 28, 2024, Xerox filed with the SEC a Current Report on Form 8-K announcing, among other things, the election of the Director Defendants to the Board and the approval of the 2023 executive compensation and the 2024 EPI Plan pursuant to the solicitations in the 2024 Proxy Statement.

H. The Company Purchases Thousands Of Shares At Inflated Prices Based On The Individual Defendants' Misrepresentations

87. The Individual Defendants breached their fiduciary duties by compelling Xerox to repurchase its own stock at artificially inflated prices based on the misrepresentations as set forth in this complaint. Between January 2024 and October 2024, approximately 690,183 shares of Xerox common stock were repurchased for over $10.8 million.

88. According to the 1Q24 10-Q, between February 1, 2024 and February 29, 2024, the Company purchased 3,203 shares of its common stock for approximately $59,384 at an average price of $18.54 per share.

89. According to the 2Q24 10-Q, between April 1, 2024 and April 30, 2024, the Company purchased 7,364 shares of its common stock for approximately $127,618 at an average price of $17.33 per share.

90. According to the Form 10-Q the Company filed with the SEC on November 4, 2024 for the period ended September 30, 2024 (the "3Q24 10-Q"), between July 1, 2024 and July 31, 2024, the Company purchased 6,536 shares of its common stock for approximately $75,687 at an average price of $11.58 per share.

91. According to the 3Q24 10-Q, between August 1, 2024 and August 31, 2024, the Company purchased 27,019 shares of its common stock for approximately $273,973 at an average price of $10.14 per share.

92. The prices at which the Individual Defendants caused Xerox to repurchase its common stock were artificially inflated by the false and misleading statements and material omissions described herein, causing substantial damages to the Company and its stockholders.

VI. DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

93. Plaintiff brings this action derivatively and for the benefit of Xerox to redress injuries suffered, and to be suffered, as a result of the Individual Defendants' breaches of their fiduciary duties as directors and officers of Xerox and violations of Sections 10(b) and 14(a) of the Exchange Act, and SEC Rules 10b-5 and 14a-9 (17 C.F.R. § 240.14a-9) promulgated thereunder, and to seek contribution for violations of Section 21D of the Exchange Act, as well as the aiding and abetting thereof.

94. Xerox is named solely as a nominal party in this action. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

95. Plaintiff is, and has been at all relevant times, a stockholder of Xerox and was a stockholder of the Company at the time of the misconduct alleged herein. Plaintiff will adequately and fairly represent the interests of Xerox in enforcing and prosecuting its rights and, to that end, has retained competent counsel, experienced in derivative litigation, to prosecute this action.

96. Demand upon the Director Defendants to institute this action against the Individual Defendants would be futile and is, therefore, excused. The Director Defendants are neither disinterested nor independent.

A. Demand Upon The Director Defendants Is Excused

97. The Director Defendants benefitted from the violation of Section 14(a) of the Exchange Act pled herein by securing re-election to the Xerox Board through the false and misleading statements and material omissions in the 2024 Proxy Statement. In addition, the Director Defendants benefitted from the violation of Section 14(a) of the Exchange Act by securing lucrative compensation pursuant to the EPI Plan through the false and misleading statements and material omissions in the 2024 Proxy Statement.

98. Defendants Bandrowczak, Bruno, Maynard-Elliot, and Letier authorized or signed the 2024 Proxy Statement which contained false and misleading statements and material omissions, and, therefore, faces a substantial likelihood of liability.

99. Defendant Letier is the Chief Investment Officer and Management Director of Deason Capital Services, LLC ("Deason Capital"). According to the 2024 Proxy Statement, as of March 15, 2024, Darwin Deason, the Chairman of Deason Capital, owns 15,283,657 shares of Xerox common stock and all shares of the Company's Series A Preferred Stock, with 7.38% voting power in the Company. Letier was appointed to the Xerox Board in January 2021 through an

agreement between the Company and Darwin Deason. The 2024 Proxy Statement stated the following regarding this agreement:

> Under the Deason Nomination Agreement, the Deason Designee is required to resign from the Board if Deason does not have a net long position in at least 9,919,295 shares of Common Stock, all subject to applicable anti-dilution adjustment. The Nomination Agreement includes certain specified limits on the size of the Board, subject to the terms of the agreement. Under the Nomination Agreement, Deason and his controlled affiliates have agreed to certain standstill and voting commitments during the particular specified periods set forth in the Nomination Agreement.

100. Given Letier's position at Deason Capital and Darwin Deason's position as a controlling stockholder, the other members of the Board are precluded from acting with the required independence and disinterest with respect to considering whether to institute a lawsuit against Letier. Further, Defendant Letier will not bring a lawsuit against the other Board members, in order to keep his advantageous position on the Board, through which he received $305,000 in compensation in 2023 alone.

101. Xerox has been and will continue to be exposed to significant losses due to the wrongdoing complained of herein, yet the Board has not caused the Company to take action to recover for the Company the damages it has suffered and will continue to suffer thereby.

102. The Director Defendants received, and continue to receive, substantial salaries, bonuses, payments, benefits, and other emoluments by virtue of their membership on the Board. They have thus benefited from the wrongs alleged herein and have engaged therein to preserve their positions of control and the perquisites thereof and are incapable of exercising independent objective judgment in deciding whether to bring this action.

103. Publicly traded companies, such as Xerox, typically carry director & officer liability insurance from which the Company could potentially recover some or all its losses. However, such insurance typically contains an "insured vs. insured" disclaimer that will foreclose

a recovery from the insurers if the Individual Defendants sue each other to recover Xerox's damages.

104. The Director Defendants, as directors of the Company, were required to, but failed to: (1) implement and maintain an effective system of internal controls to ensure that the Company was complying with all laws, rules, and regulations governing Xerox's core operations and making truthful, accurate, and complete statements regarding its core operations, financial condition, and business prospects; (2) effectively oversee and monitor the material risks facing the Company; and (3) investigate and take action when presented with red flags regarding misconduct or the lack of internal controls.

105. For the reasons enumerated above, the Director Defendants are not independent and disinterested and any demand upon the Director Defendants is futile and, thus, excused.

B. Demand Upon The Members of Xerox's Audit Committee Is Excused

106. Defendant Schwetz as Chair of the Audit Committee and Defendants Erwin, Maynard-Elliot, and Roese as members of the Audit Committee, had duties regarding risk oversight and Xerox's adherence to applicable laws, rules, and regulations. Schwetz, Erwin, Maynard-Elliot, and Roese utterly failed to perform these duties.

C. Demand Upon The Members of Xerox's Corporate Governance Committee Is Excused

107. Defendant Erwin, as Chair of the Corporate Governance Committee, and Defendants Hung, Letier, and McLaughlin as members of the Corporate Governance Committee, were and are obligated, among other things, to ensure the proper adoption and efficacy of Xerox's Code of Conduct and Corporate Governance Guidelines. Erwin, Hung, Letier, and McLaughlin utterly failed to perform these duties.

D. Additional Reasons Why Demand Upon Defendants Bandrowczak And Bruno Is Excused

108. Defendant Bandrowczak is the CEO of Xerox since 2022. Before becoming CEO, he served as Xerox's President and Chief Operations Officer starting in 2018. Therefore, Bandrowczak is not independent. As an employee of Xerox, the Company provides Bandrowczak with his principal occupation, from which he receives substantial compensation. In 2023, he received $12,844,686 in compensation. Defendant Bruno is the President and COO of Xerox since 2022. As an employee of Xerox, the Company provided Defendant Bruno with his principal occupation from which he received substantial compensation. In 2023, Defendant Bruno received $7,345,309 in compensation. Indeed, Xerox's 2024 Proxy Statement does not list Bruno as an independent director. Indeed, Xerox's 2024 Proxy Statement does not list Bandrowczak and Bruno as independent directors.

109. Further, Bandrowczak is a defendant in the pending Securities Fraud Class Action. As a result, he is unable to fairly evaluate a demand to initiate and diligently pursue this action with the necessary independence and disinterest.

VII. CLAIMS FOR RELIEF

FIRST CLAIM
Against the Individual Defendants for
Violations of Section 10(b) and Rule 10b-5 of the Exchange Act

110. Plaintiff incorporates by reference and realleges each allegation contained above, as though fully set forth herein.

111. This Count is asserted on behalf of the Company against the Individual Defendants for violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

112. At all relevant times, in connection with Xerox's repurchases of its shares, the Individual Defendants made, disseminated, or approved false and misleading statements about the Company, omitting material information specified herein, which they knew or deliberately disregarded as false, misleading, or incomplete, intending to deceive, manipulate, or defraud. These false, misleading, or incomplete statements and Defendants' course of conduct were designed to artificially inflate the price of the Company's common stock.

113. At the same time that the price of the Company's common stock was inflated due to the false, misleading, or incomplete statements, Defendants caused the Company to repurchase thousands of shares of its stock at prices artificially inflated by those statements. They engaged in a scheme to defraud the Company by causing it to repurchase shares at inflated prices.

114. The Individual Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts or omitting material facts necessary to make the statements not misleading, given the circumstances; and/or (c) engaging in acts, practices, and a course of business that operated as a fraud or deceit upon the Company in connection with its purchases of Xerox common stock.

115. The Individual Defendants, directly and indirectly, used means or instrumentalities of interstate commerce and/or the U.S. mail, participating in a continuous course of conduct that operated as a fraud and deceit upon the Company. They made or disseminated various false and/or misleading statements of material facts and omitted material facts necessary to make their statements not misleading, acted with intentional or reckless disregard for the truth, and employed devices and artifices to defraud in connection with the Company's purchase of Xerox common stock, deceiving the Company regarding its performance and internal controls.

116. As directors and officers, the Individual Defendants were directly responsible for and are liable for all materially false, misleading, or incomplete statements made during the relevant times.

117. The Individual Defendants acted with scienter, either intending to deceive, manipulate, or defraud, or with severe recklessness. The misstatements and omissions of material facts set forth herein were either known to Defendants or were so significant that they should have been aware of them.

118. As a result of the Individual Defendants' misconduct, Xerox suffered damages by paying artificially inflated prices for Xerox common stock and incurred losses when the true facts became known. The Company would not have purchased Xerox common stock at the prices it paid, or at all, but for the artificial inflation caused by the Individual Defendants' false, misleading, or incomplete statements.

119. As a direct and proximate result of the Individual Defendants' wrongful conduct, the Company suffered damages related to its repurchases of Xerox common stock during the time period alleged. Therefore, the Individual Defendants are liable to the Company pursuant to Section 10(b) of the Exchange Act and SEC Rule 10b-5.

120. Plaintiff brings this claim within two years of discovering the facts constituting the violation and within five years of the violation.

SECOND CLAIM
Against The Director Defendants for
Violations of Section 14(a) of the Exchange Act

121. Plaintiff incorporates by reference and realleges each and every allegation set forth above as if fully set forth herein.

122. The Section 14(a) claim alleged herein is based solely on negligence. It is not based on any allegation of reckless or knowing conduct by or on behalf of the Individual Defendants. Section 14(a) claim alleged herein does not allege and does not sound in fraud. Plaintiff specifically disclaims any allegations of reliance upon any allegation of, or reference to, any allegation of fraud, scienter, or recklessness with regard to those non-fraud claims.

123. Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a)(1), provides that "[i]t shall be unlawful for any person, by use of the mails or by any means or instrumentality of interstate commerce or of any facility of a national securities exchange or otherwise, in contravention of such rules and regulations as the [SEC] may prescribe as necessary or appropriate in the public interest or for the protection of investors, to solicit or to permit the use of his name to solicit any proxy or consent or authorization in respect of any security (other than an exempted security) registered pursuant to section 12 of this title [15 U.S.C. § 78l]."

124. Rule 14a-9, promulgated pursuant to § 14(a) of the Exchange Act, provides that no proxy statement shall contain "any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading." 17 C.F.R. § 240.14a-9.

125. Under the direction of the Director Defendants, the 2024 Proxy Statement failed to disclose that the Xerox Board violated their fiduciary duties to Xerox and its stockholders by, among other things, failing to: (1) implement and maintain an effective system of internal controls to ensure that the Company was complying with all laws, rules, and regulations governing Xerox's core operations and making truthful, accurate, and complete statements regarding its core operations, financial condition, and business prospects; (2) effectively oversee and monitor the

material risks facing the Company; and (3) investigate and take action when presented with red flags regarding misconduct or the lack of internal controls. Further, the 2024 Proxy Statement contained false and misleading statements related to risk and corporate governance oversight by the Board and the Audit Committee.

126. In the exercise of reasonable care, the Director Defendants should have known that by misrepresenting or failing to disclose the foregoing material facts, the statements contained in the 2024 Proxy Statement were materially false and misleading and omitted material information.

127. The false and misleading statements in, and information omitted from, the 2024 Proxy Statement were material to Xerox's stockholders in determining whether to, among other things, elect the Director Defendants to the Board and approve 2023 executive compensation and the 2024 EPI Plan.

128. The material misstatements and omissions in the 2024 Proxy Statement damaged the Company.

129. Plaintiff, on behalf of Xerox, seeks relief for damages inflicted upon the Company based on the misleading 2024 Proxy Statement in connection with the improper election of the Director Defendants and the approval of executive compensation and the 2024 EPI Plan.

THIRD CLAIM
Against The Individual Defendants for Contribution
Under Section 21D of the Exchange Act

130. The conduct of the Individual Defendants, as described herein, has exposed the Company to significant liability under the federal securities laws.

131. Xerox is named as a defendant in a related securities fraud class action lawsuit that alleges and asserts claims arising under the federal securities laws. The Company is alleged to be liable to private persons, entities and/or classes by virtue of many of the same facts alleged herein.

If Xerox is found liable for violating the federal securities laws, the Company's liability will arise in whole or in part from the intentional, knowing, or reckless acts or omissions of all or some of the Individual Defendants as alleged herein, who have caused the Company to suffer substantial harm through their misconduct. The Company is entitled to contribution and indemnification from the Individual Defendants in connection with all claims that have been, are, or may be asserted against the Company by virtue of their wrongdoing.

132. As officers and directors, the Individual Defendants had the power or ability to, and did, control or influence, either directly or indirectly, Xerox's general affairs, including the content of its public statements, and had the power or ability to directly or indirectly control or influence the specific corporate statements and conduct that violated the federal securities laws.

133. The Individual Defendants are liable under § 21D of the Exchange Act, which governs the application of any private right of action for contribution asserted pursuant to the federal securities laws.

134. The Individual Defendants have damaged the Company and are liable to the Company for contribution.

FOURTH CLAIM
Against the Individual Defendants for Breach of Fiduciary Duty

135. Plaintiff incorporates by reference and reallege each and every allegation set forth above, as though fully set forth herein.

136. The Individual Defendants owed and owe fiduciary duties to Xerox. By reason of their fiduciary relationships, the Individual Defendants specifically owed and owe Xerox the highest obligation of good faith and loyalty in the administration of Xerox's affairs. The Board also had specific fiduciary duties as defined by the Company's corporate governance documents

and principles that, had they been discharged in accordance with the Board's obligations, would have prevented the misconduct and consequential harm to Xerox alleged herein.

137. The Individual Defendants ignored their obligations under state and federal law. The Individual Defendants failed to make a good faith effort to correct the problems or prevent their occurrence.

138. The Individual Defendants, by their actions and by engaging in the wrongdoing described herein, abandoned and abdicated their responsibilities and duties regarding prudently managing the business of Xerox in a manner consistent with the duties imposed upon them by law.

139. By committing the misconduct alleged herein, the Individual Defendants breached their duties of good faith and loyalty in the management and administration of Xerox's affairs and in the use and preservation of Xerox's assets.

140. As a direct and proximate result of the Individual Defendants' failure to perform their fiduciary obligations, Xerox has sustained significant damages, not only monetarily, but also to its corporate image and goodwill.

141. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

FIFTH CLAIM
Against The Individual Defendants For Aiding And Abetting

142. Plaintiff incorporates by reference and reallege each and every allegation set forth above as if fully set forth herein.

143. Each of the Individual Defendants has acted and is acting with knowledge of or with reckless, or grossly negligent, disregard to the fact that the Individual Defendants are in breach of their duties to the Company and have participated in such breaches of duties.

144. In committing the wrongful acts, each of the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct. They have acted in concert with and conspired with one another in furtherance of their common plan or design. In addition to pursuing the wrongful conduct that gives rise to their primary liability, the Individual Defendants also aided and abetted, and/or assisted, each other in breaching their respective duties.

145. Because the actions described herein occurred under the Board's supervision and authority, each of the Individual Defendants played a direct, necessary, and substantial part in the conspiracy, common enterprise, and/or common course of conduct complained of herein.

146. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein.

VIII. PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment in favor of the Company and against all Individual Defendants as follows:

(a) Declaring that Plaintiff may maintain this action on behalf of Xerox, and that Plaintiff is an adequate representative of the Company;

(b) Declaring that the Individual Defendants breached and/or aided and abetted the breach of their fiduciary duties to Xerox;

(c) Declaring that the Individual Defendants violated Sections 10(b) and 21D of the Exchange Act;

(d) Declaring that the Director Defendants violated Section 14(a) of the Exchange Act;

(e) Determining and awarding to Xerox the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon;

(f) Directing Xerox to implement all necessary measures to reform and enhance its compliance, internal control systems, and corporate governance practices and procedures to safeguard the Company and its stockholders from a recurrence of the harmful events described;

(g) Requiring the Individual Defendants to return all profits, benefits, and other compensation, including performance-based or valuation-based compensation, unjustly gained through their misconduct and breaches of fiduciary duties;

(h) Awarding to the Company restitution from Defendants, and each of them;

(i) Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

(j) Granting such other and further relief as the Court deems just and proper.

IX. JURY DEMAND

Plaintiff hereby demands a trial by jury.

Dated: March 11, 2025

WEISS LAW

By: *<u>/s/ Joshua M. Rubin</u>*
Joshua M. Rubin
Mark D. Smilow
Jonathan Meer
305 Broadway, 7th Floor
New York, New York 10007
Telephone: (212) 682-3025
Facsimile: (212) 682-3010
Email: jrubin@weisslawllp.com
msmilow@weisslawllp.com
jmeer@weisslawllp.com

MCKAY LAW, LLC

Michael C. McKay
5635 N. Scottsdale Road, Suite 170
Scottsdale, AZ 85250
Telephone: (480) 681-7000
Email: mmckay@mckaylaw.us

Counsel for Plaintiff

VERIFICATION

I, Abby Katz, hereby verify that I have held stock in Xerox Holdings Corporation ("Xerox or the "Company") since 2/23/1999 As such, I was a stockholder at the time of the transactions complained of in the Verified Stockholder Derivative Complaint ("Complaint"). I am ready, willing, and able to pursue this stockholder derivative action on behalf of Xerox. I have reviewed the allegations in the Complaint, and as to those allegations of which I have personal knowledge, I know those allegations to be true, accurate and complete. As to those allegations of which I do not have personal knowledge, I rely on my counsel and their investigation, and for that reason I believe them to be true. Having received a copy of the foregoing complaint, and having reviewed it with my counsel, I hereby authorize its filing.

Abby Katz